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TO RUEHC/SECSTATE WASHDC 2400
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 1818
RUEHAR/AMEMBASSY ACCRA 1724
RUEHDS/AMEMBASSY ADDIS ABABA 1850
RUEHRL/AMEMBASSY BERLIN 0448
RUEHBY/AMEMBASSY CANBERRA 1127
RUEHDK/AMEMBASSY DAKAR 1484
RUEHKM/AMEMBASSY KAMPALA 1906
RUEHNR/AMEMBASSY NAIROBI 4334
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 0977
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000040

SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [ZI](#)

SUBJECT: Zim Notes January 18, 2008

¶1. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at chisholmfm@state.gov. Distribution is restricted to U.S. government employees.

¶2. Parallel rate for cash: ZW\$3.2 million:US\$1; For bank transfers: Z\$5.2 million; Official rate: ZW\$30,000:US\$1
Sugar on the parallel market rose to Z\$3 million/2kg vs. controlled price of Z\$247,000/2kg
Cooking oil on the parallel market steady at Z\$9 million/750ml vs. controlled price of Z\$440,000/750ml
*Petrol rose to Z\$4.4 million/liter while diesel fell to Z\$3.8 million/liter vs. Z\$60,000/liter at the controlled price

On the Political/Social Front

¶3. No Apparent Progress Out Of Mbeki Meeting With Mugabe... The press reports and Embassy contacts confirm that South African president Thabo Mbeki was unable to make any progress with President Mugabe on an agreement between ZANU-PF and the MDC during his visit to Harare this week. For details, see Harare 0038.

¶4. MDC Plans "Freedom March" To Pressure Mugabe For Later Election... The Morgan Tsvangirai faction of the MDC plans to stage a demonstration on Wednesday, January 23 in Harare to put pressure on the ruling party to postpone the election date and to implement a new constitution before the elections. Tsvangirai's faction held three rallies last weekend in the high-density suburbs of Mbare, Dzivarasekwa and Glen View, and will hold its "star rally" on Sunday to build support for the demonstration. Tsvangirai faction Information Director Luke Tamborenyika told embassy officials that the MDC hopes to attract a crowd of more than 10,000 people. MDC officials met with the police and believe they will receive written

permission to proceed. Police contacts confirm this.

15. Zimbabwe Police Raid Anglican Church Services In Political Row Over Bishop... The Archbishop of Canterbury condemned the former Anglican bishop of Harare after police used force to interrupt official Anglican Church services. Police intervened because the services were held without the authorization of the Zimbabwean government. Truncheon wielding police dragged three priests and several parishioners from a church where services were being conducted last Sunday. The former bishop, Nolbert Kunonga, is an ally of President Mugabe. The Anglican Province of Central Africa removed his priestly license after he illegally separated from the Church in December. Kunonga has claimed the conflict was based on his alleged more conservative position on homosexuality. The Church, on the other hand, has maintained that it revoked Kunonga's license because of his failure to exercise independence from the Mugabe government.

16. Education System Failing... A new school term started on January 15, but many teachers failed to report to work despite receiving a 1,000% pay raise. Progressive Teachers' Union of Zimbabwe (PTUZ) told us many teachers left the country over the break for more lucrative teaching positions in South Africa, Swaziland and Malawi. Zimbabwe Teachers' Association (ZIMTA) pointed out that the ongoing cash shortage prevented many teachers from accessing enough money to pay for transport. Steep inflation and the cash crisis also left most parents struggling to pay for school fees, supplies, uniforms, and food. One local embassy employee found that hard-to-find school shoes had jumped from about US\$10 equivalent in October to US\$40 this month. Another colleague reported having to send his child off to boarding school with a large cache of food and water because the school could not afford to buy supplies in advance. PTUZ is

HARARE 00000040 002 OF 003

planning to mobilize civic groups to support a national strike in the coming weeks to draw attention to the failing education system.

17. USG Recruits Secret Political Officers, According to The Herald... In a front-page article on January 10, The Herald reported that Embassy Harare has been secretly conducting interviews with prospective political officers for deployment in the provinces ahead of the elections as part of its anti-Zimbabwe campaign. The government mouthpiece followed up soon after with the Zim Notes cartoon of the week, shown below. The government press has focused on race in several reports about Ambassador McGee; for example in November a The Sunday Mail columnist opined that he was "likely to turn out to be the 'house negro' Malcolm X wrote about."

Economic and Business News

18. RBZ Governor Gono Relieves Cash Crisis - For Now - With New Notes... After a series of policy flip-flops, RBZ Governor Gono released new, much higher denominated notes into the cash-starved market today. The largest new note - Z\$10 million - is nominally worth 50 times more than the largest note in circulation less than a month ago, yet under hyperinflation it is still only about US\$2 on the parallel market for bank transfers. We expect hyperinflation to quickly erode the benefit of this new infusion of cash as long as the GOZ fails to address Zimbabwe's underlying economic crisis.

19. Bill Extends Life of National Incomes And Prices Commission (NIPC)... With the term of the NIPC due to expire next month, the GOZ has gazetted the National Incomes and Prices Commission Amendment Bill. Its effect is to extend the life of the Commission which will continue to approve applications for increases in remuneration, rentals and service charges. Extension of the tenure of the NIPC implies that most manufacturers and retailers will continue to find it difficult to cover their operating costs as approval of price increases will continue to be based on an arbitrary formula that has little or no bearing on actual costs incurred. Consequently, we expect domestic production to contract further, with imports taking more space in the markets, resulting in more, not less, inflation.

¶10. Taps Run Dry In Harare For Lack of Electric Power... Water supply to Harare and Chitungwiza has deteriorated sharply since the Zimbabwe National Water Authority (ZINWA) took over water responsibility from these two City Councils two years ago. In recent weeks service degenerated further, with some high-density suburbs going without water for more than a week. A ZINWA official attributed the problem to the intermittent supply of electric power to Harare's main waterworks. He told us that heightened power shortfalls associated with ZESA's nonpayment of power from Mozambique had aggravated the situation. While the ZINWA official maintained there would be improved pumping capacity in the next days with renewed power supply from Mozambique, the state-owned The Herald reported today that extensive vandalism on the 330 KVA power lines in Mozambique has cut off power imports from Zimbabwe's eastern neighbor.

¶11. Flooding And More Rain Forecast... An assessment team from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) determined that more than 10,000 people have been displaced from their homes in Zimbabwe due to heavy rainfall since early December 2007. Thousands more have been affected, mainly through the likely loss of their crops. The IFRC Disaster Relief Emergency fund (DREF) has approved funding for the Southern Africa flood operation and is currently mobilizing its emergency response team to support the assessment process of the National Red Cross in the worst affected countries-Zimbabwe, Zambia and Mozambique. Wet conditions are forecast to persist over the northern areas of

HARARE 00000040 003 OF 003

Zimbabwe through late January with an increase in rainfall from January 22.

¶12. *Distortion Of Week - The Diesel Discount... Chevron and BP executives told us that the parallel market in fuel was flush with diesel, driving down the price. The GOZ provides diesel to farmers at Z\$60,000/liter (just over a penny a liter on the parallel market). But this year, yet again, farmers are finding it more lucrative, easier, and commercially less risky to sell the fuel on the black market - for 60 times and more as much - than pour it in their tractors and farm.